

**Before the  
Education Audit Appeals Panel  
State of California**

In the Matter of:

LUCERNE VALLEY UNIFIED SCHOOL DISTRICT,

Appellant.

EAAP Case No. 03-12

OAH No. N2004120426

**Decision**

The attached Stipulation and Proposed Decision of two of the parties is hereby adopted by the Education Audit Appeals Panel as its Decision in the above-entitled matter.

This Decision shall become effective on 15 Aug 2005.

IT IS SO ORDERED 15 Aug. 2005.



Thomas E. Dithridge, Chairperson  
for Education Audit Appeals Panel

1 BILL LOCKYER  
Attorney General of the State of California  
2 JOSEPH O. EGAN  
Lead Supervising Deputy Attorney General  
3 MICHAEL V. HAMMANG, State Bar No. 90964  
Deputy Attorney General  
4 1300 I Street, Suite 125  
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5 Sacramento, CA 94244-2550  
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6 Fax: (916) 324-5567

7 Attorneys for Department of Finance

8  
9 BEFORE THE  
EDUCATION AUDIT APPEALS PANEL  
10 STATE OF CALIFORNIA

11 **In the Matter of the Statement of Issues Against:**

12 **LUCERNE VALLEY UNIFIED SCHOOL**  
13 **DISTRICT,**

14 Respondent.

EAAP Case No. 03-12  
OAH Case No. N2004120426

**STIPULATION AND PROPOSED  
DECISION**

Date: April 8, 2005  
Time: 10:00 a.m.  
Dept.: Office of Administrative  
Hearings  
Location: 560 J Street, Suite 300  
Sacramento, CA  
95814

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17  
18  
19 All of the parties to this action hereby agree to enter the following stipulation, resulting  
20 in complete resolution of this matter. Accordingly, the State Controller's Office (SCO), the  
21 Department of Finance (DOF), and Lucerne Valley Unified School District (District) hereby  
22 agree as follows:

23 **RECITALS**

24 A. The independent accountant, James M. Quinn, Certified Public Accountant,  
25 conducted an audit of the District for the 2001-2002 school year.

26 B. Audit Finding 2002-10, page 63 from the independent auditor's report of James  
27 M. Quinn, CPA, dated December 9, 2002, for Lucerne for the year ending June 30, 2002 (State  
28 Compliance Findings Code 10000) read in pertinent part:

1 The School District reports attendance for long-term independent study  
2 students. The District is required to have a contract with such students,  
3 which, among other things [sic] contains a provision *disclosing the number*  
4 *of assignments that may be missed before a review would be made of the*  
5 *student's ability* to be retained in independent study. During the fiscal year  
6 2001-2002 the master contract was changed and that provision was left out.  
7 The School Board does maintain a policy with regard to independent study.  
8 The School Board policy does contain the provision as stated even though  
9 the provision is not in the contracts that were used in the fiscal year. If the  
10 District is required to restate its ADA<sup>1</sup> due to the change in the contract to  
11 [sic] independent study it would lose [sic] the 26 ADA, which it reported  
12 from independent study students (see next paragraph). The District should  
13 change its contract and consider the advisability of requesting a waiver from  
14 the California Department of Education with regard to the statement missing  
15 from the independent study contract.

16 The District also did not include the ADA for independent study in the grade  
17 level attendance reported on P-1, P-2, and Annual Reports. If the attendance  
18 qualifies, even with the lack of statement in the master contract, then the  
19 District should report an increase in attendance by 26 ADA.

20 [Emphasis added.]

21 C. The District timely submitted to EAAP on November 23, 2004, its formal appeal of  
22 Audit Finding 2002-10 in Lucerne Valley's Audit for fiscal year 2001-2002.

23 D. EAAP notified Office of Administrative Hearings of the appeal and that the State  
24 Controller is a party to the action, and requested a hearing.

25 E. On February 2, 2005, the State Controller's Office sent all parties of record a Statement  
26 of Issues Regarding Appeal by Lucerne Valley Unified School District, EAP Case No. 03-12;  
27 OAH No. N2004120426.

28 F. The Department of Finance filed a Notice and Motion to Intervene on January 11,  
29 2005.

30 G. The Presiding Administrative Law Judge entered an order granting the Department of  
31 Finance's motion to intervene on January 11, 2005.

32 H. The matter was heard on April 8, 2005 before Administrative Law Judge Karl S.  
33 Engeman, and on April 19, 2005, Judge Engeman granted the appeal of Lucerne Valley Unified  
34 School District from Audit Finding 2002-10.

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1. This is the acronym for average daily attendance.

1 I. On May 24, 2005 the EAAP served on all parties of record, Notice of Nonadoption of  
2 Proposed Decision.

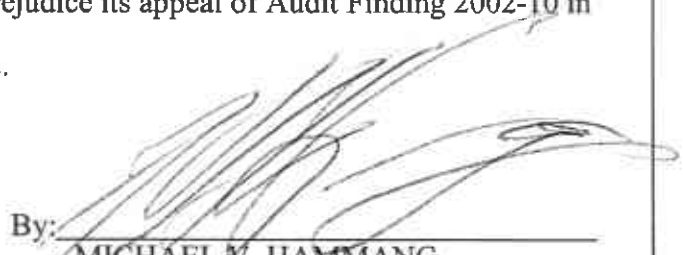
3 J. For the sole purpose of effecting a compromise of this action and to avoid the  
4 uncertainty of continued litigation, the District will acknowledge the correctness of Audit  
5 Finding 2002-10, on page 63 from the independent auditor's report of James M. Quinn. The  
6 District affirms that it has revised its Independent Study Master Agreement to include all the  
7 required language specified by Education Code section 51747 and will revise its board policy to  
8 remove the word "consecutive" in reference to the number of missed assignments that a pupil  
9 may miss before an evaluation is to be conducted to determine whether it is in the pupil's best  
10 interest to remain in independent study.

11 K. For the sole purpose of effecting a compromise of this action and to avoid the  
12 uncertainty of continued litigation, the EEAP and DOF will relieve Lucerne Valley of all but  
13 \$12,500 of the fiscal impact of Audit Finding 2002-10.

14 L. The District agrees to withdraw with prejudice its appeal of Audit Finding 2002-10 in  
15 Lucerne Valley's Audit for fiscal year 2001-2002.

16 DEPARTMENT OF FINANCE

17 Dated: 5/24/05

18 By:   
MICHAEL V. HAMMANG  
Deputy Attorney General  
Attorney for Department of Finance

20 LUCERNE VALLEY UNIFIED SCHOOL DISTRICT

21 Dated: \_\_\_\_\_

22 By: \_\_\_\_\_  
JIM BUCKLEY, Superintendent

24 APPROVED AS TO FORM

26 \_\_\_\_\_  
27 RONALD V. PLACET  
Attorney for STEVE WESTLY  
California State Controller  
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18 By: \_\_\_\_\_  
MICHAEL V. HAMMANG  
Deputy Attorney General  
Attorney for Department of Finance

20 LUCERNE VALLEY UNIFIED SCHOOL DISTRICT

21 Dated: 8/9/05

22 By: Jim Buckley  
JIM BUCKLEY, Superintendent

23  
24 APPROVED AS TO FORM

25  
26 \_\_\_\_\_  
RONALD V. PLACET  
27 Attorney for STEVE WESTLY  
California State Controller  
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19 MICHAEL V. HAMMANG  
20 Deputy Attorney General  
21 Attorney for Department of Finance

22 LUCERNE VALLEY UNIFIED SCHOOL DISTRICT

23 Dated: \_\_\_\_\_

24 By: \_\_\_\_\_  
25 JIM BUCKLEY, Superintendent

26 APPROVED AS TO FORM

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28 RONALD V. PLACET  
Attorney for STEVE WESTLY  
California State Controller